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Canadian Cellulose Company, Limited



Annual Report 1973

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Directors and Officers.	Inside Back Cover



Canadian Cellulose Company, Limited and subsidiaries

Highlights

	1973	1972
Net sales	\$133,801,000	118,793,000
Earnings (loss) before taxes and extraordinary item	13,278,000	(7,876,000)
Earnings (loss) before extraordinary item	7,078,000	(7,959,000)
Net earnings (loss)	12,318,000	(7,959,000)
Net earnings (loss) per share	1.01	(.65)
Cash flow per share	1.97	.23
Funds generated from operations	23,978,000	2,812,000
Capital expenditures	12,916,000	10,197,000
Working capital (deficit) at end of year	13,174,000	(32,637,000)
Stumpage and royalty	8,421,000	3,524,000
Property taxes	3,090,000	2,890,000
Wages, salaries and employee benefits	37,290,000	34,174,000
Number of employees at end of year	3,022	2,951
Number of registered shareholders at end of year	6,387	7,623
Sales Quantities		
Kraft pulp (short tons)	412,000	504,000
Sulphite pulp (short tons)	142,000	150,000
Lumber (thousands of board feet)	246,000	247,000
Production Quantities		
Kraft pulp (short tons)	378,000	421,000
Sulphite pulp (short tons)	140,000	154,000
Lumber (thousands of board feet)	254,000	249,000
Logs (100 cubic feet)	1,451,000	1,095,000

Notes (1) Comparative data for 1972 is that of Columbia Cellulose Company, Limited and subsidiaries except for per share amounts which are based on Canadian Cellulose Company, Limited shares outstanding after the reorganization of June 29, 1973.

(2) These HIGHLIGHTS form an integral part of the Directors' Report.

Directors' Report to our Shareholders and Employees



Ronald M. Gross, President

The year 1973 was a most important year in the history of the Company, with a major financial and shareholder reorganization, together with record earnings and sales.

Net earnings were \$12,318,000, compared to a loss of \$7,959,000 in 1972. Earnings per share amounted to \$1.01 compared to a loss of \$.65 per share in 1972. The 1973 net earnings are after reducing normal income taxes by \$5,240,000 (\$.43 per share) due to the application of prior years' losses. Net sales were \$133 million, 12.6% greater than the 1972 sales of \$118 million.

The improvement in earnings was the result of an excellent lumber market, especially in the first half of the year, and strong pulp markets internationally, giving rise to significant price increases throughout the year. There were strikes in the third quarter in both Northern and Interior Operations which significantly reduced earnings below what otherwise would have been attained.

Reorganization

On June 29, 1973, all of the assets and liabilities of Columbia Cellulose Company, Limited (Colcel) (excluding liabilities to Celanese Corporation) were transferred to, or assumed by, the Company which then ceased to be a subsidiary of Colcel. The former minority shareholders of Colcel received Common Shares in the Company on the basis of one Common Share for each common share of Colcel and two Common Shares for each preferred share of Colcel. In addition, the holders of Colcel preferred shares received a \$1.80 cash dividend for each preferred share held at May 25, 1973. The Common Shares of the Company were listed for trading on the Toronto, Montreal and Vancouver Stock Exchanges on July 4, 1973.

As part of these transactions, debt was reduced by \$42,404,000, the \$29,934,000 minority interest position was eliminated and the Company was required to write down its fixed assets by \$75,485,000 to the value attributed to them by Celanese. Other financial effects which resulted from the reorganization are described under the heading Financial. Also, as part of the reorganization, the duration and quantity commitments of the sulphite dissolving pulp sales contract with Celanese were reduced.

Financial

As a result of the reorganization and improved earnings, the working capital position of the Company was greatly improved. Current debt of \$42,404,000 due to Celanese was eliminated in the reorganization. Operations for the year generated a cash flow of \$23,978,000. Reductions in long term debt amounted to \$7,338,000, and expenditures on fixed assets amounted to \$12,916,000. These four items were the main factors responsible for an improvement of \$45,811,000 in working capital which converted the December 31, 1972 working capital deficit of \$32,637,000 into positive working capital of \$13,174,000 at December 31, 1973.

In conjunction with the reorganization, the terms of the First Mortgage Bonds and bank loans were renegotiated. The bonds were renegotiated at the same rate of interest and generally on the same terms and conditions as previously with the exception that they became unconditionally guaranteed by the Province of British Columbia. Various restrictive covenants were removed, including restrictions on payment of dividends. Bank loans formerly guaranteed by Celanese are now secured by inventories and receivables. The Company is paying to British Columbia Cellulose Company a standby fee of $\frac{1}{4}$ of 1% of the outstanding balance of the First Mortgage Bonds.

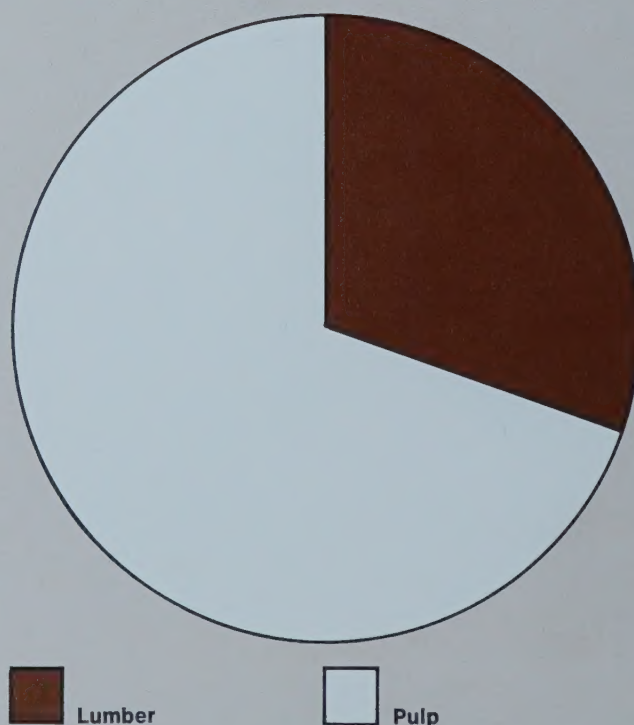
The debt to Celanese bore interest at 4% per annum except for a portion which was interest free. In eliminating this debt, the reorganization reduced the related interest charged to earnings from \$1,430,000 in 1972 to \$198,000 in 1973.

The Company reviewed its depreciation policy in the light of the extraordinary write-down of fixed assets resulting from the reorganization. Because of the special nature of the write-down and the annual capital spending necessary to maintain existing plant in good working order, the Company did not change the depreciation rate to cover the physical depreciation of assets.

Pulp Operations

During 1973, the Company's pulp mill operations at both Prince Rupert and Castlegar suffered strikes for 26 and 72 days respectively. In addition, the sulphite mill at Prince Rupert was closed for 16 days in March due to a shortage of wood. As a result of these closures, pulp production was reduced below 1972 levels, kraft pulp production being 378,000 tons and sulphite production 140,000 tons. This compares to 421,000 tons and 154,000 tons respectively in 1972. The price of kraft pulp rose substantially during 1973 and in large measure was responsible for the fourth quarter earnings performance. The strong market conditions which prevailed permitted the Company to take a long term approach to pulp marketing. Beginning in 1974 the majority of kraft pulp will be sold on long term contracts. We believe this policy will provide a more stable revenue base for the long term and will reduce the risk of reductions in sales volumes during periods of poor market conditions. Continued high labour turnover combined with a shortage of personnel remains a serious problem particularly in the Northern Pulp Operations. The Company is cooperating through a variety of means to cope with these special regional conditions.

1973: NET SALES BY MAJOR PRODUCT



Lumber Operations

The highlight of 1973 lumber operations was the record high lumber sales prices achieved in the second quarter. Prices subsequently declined but remained at satisfactory levels for most of the year. While most lumber was shipped to the United States, the Company also shipped several orders from its Terrace sawmill to overseas markets for the first time.

Total 1973 production from the three sawmills was 254 million board feet compared to 249 million board feet in 1972. Production in 1973 in the interior sawmill amounted to 101 million board feet as compared to 125 million board feet in 1972. This reduction was due to a 10 week strike by the Pulp, Paper and Woodworkers of Canada at the adjoining pulp mill which curtailed operations. Lumber production in the northern operations increased to 153 million board feet in 1973 compared to 124 million board feet in 1972. This 23% increase was due to improvements completed in 1972 and improved operating efficiency.

The dry kilns at the Terrace sawmill, which came on line at the beginning of the year, made a significant contribution to the Company's 1973 lumber earnings with over 90% of the mill's production being kiln dried.

Northern Lumber Operations were adversely affected by rail car shortages throughout the major part of 1973. This shortage became particularly acute during the third quarter and resulted in substantial quantities of lumber being shipped to markets in later periods when prices had declined.

Logging Operations

Log production reached a new high of 1,451,000 cunits (100 cubic feet). Northern logging operations produced 1,147,000 cunits and interior operations 304,000 cunits.

There was a shortage of logs at the beginning of the year which was the cause of the closure of the sulphite mill for 16 days in March. This shortage was mainly the result of the generally low level of inventories previously maintained by the Company although a fallers' strike in 1972 was a contributing factor. Log production has subsequently been increased so that at December 31, 1973 there were 358,900 cunits of inventory compared to 109,200 cunits at December 31, 1972. This increase will safeguard supplies of logs to the northern mills.

Woods operations in the interior were closed for 10 weeks during the strike by the Pulp, Paper and Woodworkers of Canada at Castlegar. At year end inventories in the interior had increased over 1972 levels by approximately 16%.

Employee Relations

Industry negotiations with the Pulp, Paper and Woodworkers of Canada were undertaken in 1973 with the Company bargaining directly on local matters at the Prince Rupert and Castlegar pulp operations. During this period, strikes were experienced at the mills over issues which the Company believes were of an industry nature. A joint labour agreement has been signed for a two-year term until mid-1975. The Company remains an active member of industry organizations so that its views, programs and objectives are clearly represented.

A major effort was made in 1973 to introduce improved employee communications. A Company-wide newspaper was instituted to provide informed and current information concerning employees and Company activities. Direct discussions have been held at various divisional operations among directors, senior and operating management and union executives to set out and discuss current and future programs and objectives. Attention has also been given to the development of personnel administration policies. The Company's approach to salary administration and manpower development is being directed to provide present and future needs for motivated and trained personnel able to respond to conditions of challenge and growth. Necessarily these are long term programs.

Capital Expenditures

Fixed asset additions in 1973 totalled \$12,916,000, of which \$3,475,000 was for purchase of previously leased equipment and \$9,441,000 for new additions. Of the new additions, \$3,777,000 was spent to construct logging roads and replacement and additions to mobile equipment totalled \$2,660,000. The remainder, \$3,004,000, was spent primarily to maintain our mills, improve working conditions, and for environmental protection. These programs will be continued and expanded in 1974.

Forest Resources

The Company incurred \$8,421,000 in stumpage and royalty costs for 1973, compared to \$3,524,000 for 1972. This substantial increase was largely related to the fact that the stumpage formulas are based upon the price of lumber and the lumber market in 1973 yielded high price levels.

In the Fall of the year, the government introduced a revised stumpage appraisal system for all companies, including the Company, which operate in the interior of British Columbia.

There were many improvements to the appraisal system which included: increased milling and logging cost allowances, the use of a cost trend index to compensate for increasing costs, new procedures for writing off the cost of main logging roads and adoption of a minimum stumpage rate of \$1.10 per cunit. At the same time, the B.C. Forest Service eliminated two financial incentives: the 55 cents per cunit rate for small timber and decadent wood and the former ceiling on stumpage rates. They also devised more detailed procedures for determining the value of each timber stand and the public's equity in it. The Company has not been able to ascertain thoroughly the effect of the new system but it is believed that there will be some increase in stumpage costs.

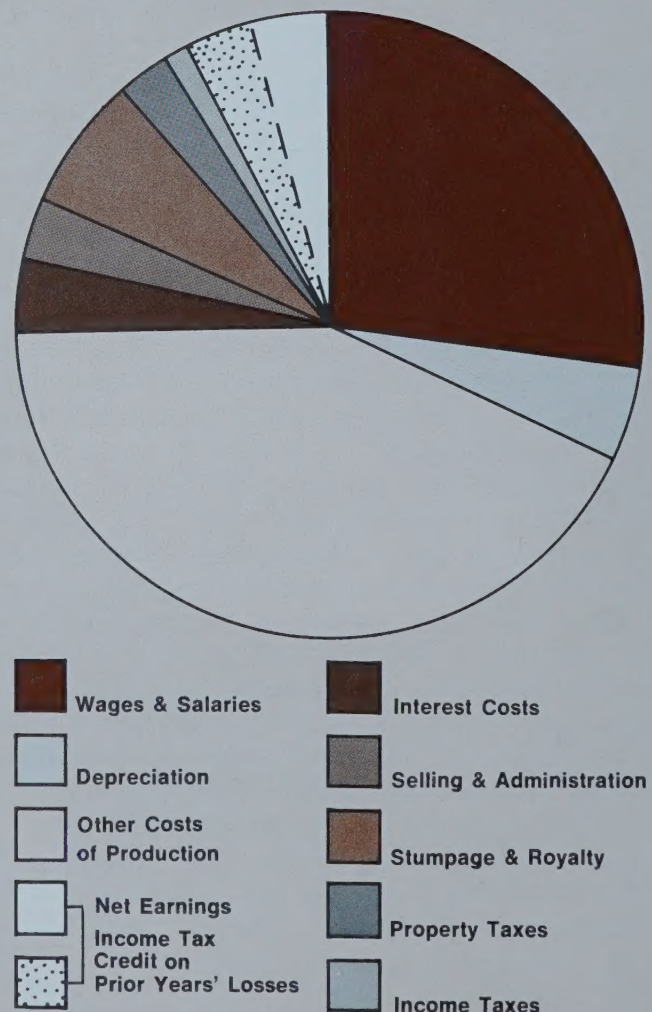
In addition to revising the interior appraisal system, industry and government representatives are analyzing the technical details of a new coastal appraisal system (expected to be similar to the interior end-use appraisal system) which will probably be implemented during 1974.

During 1973, the Provincial Government announced that the Provincial and Federal Governments had agreed in principle that a railroad connection be built by the Canadian National Railway from Terrace up the Kalum and Nass Valleys to connect with the Dease Lake Extension of the British Columbia Railway near the Groundhog coal fields in the headwaters of the Skeena River. This railroad would pass through Tree Farm Licence #1 and the Company intends to review the opportunities which would be created by this development for the greater utilization of these timber resources.

The Company has also been cooperating with the Government of British Columbia and the Federal Department of Regional Economic Expansion in the formulation of an economic and social development program for Northwestern British Columbia.

We believe that these programs will encourage the construction of additional converting plants and will result in long term economic and social benefits both to the Company and to the public of British Columbia.

1973: ALLOCATION OF NET SALES DOLLAR



Forward Planning

There are several problem and opportunity areas where plans are being developed to establish a sound base for continued profitable operations and, additionally, for growth and expansion. These are:

1. Northern Residuals Program

While the Company has adequate total wood resources in the north, less than 20% of the wood furnished to the pulp mills is in the form of residual chips. For the long term, the Company is working toward a substantial increase in residuals for its kraft mill requirements.

The Company has entered into a consortium ownership with Weldwood and Eurocan to form Babine Forest Products Limited to bid on the Burns Lake Timber Sale. If the bid is successful, a sawmill will be constructed with an annual output of over 100 million board feet. In addition to ownership, the Company will also have a long term participation in the residual by-product wood chips.

During 1974, the Company intends to increase the amount of by-product chips from its own operations at Terrace and Kitwanga. Beyond 1974, additional new wood mill capacity will be developed to achieve cost reduction and resource utilization goals.

2. Sulphite Mill

The sulphite mill at Prince Rupert has not been profitable for a number of years and even with increased prices it is still a marginal facility. The former major shareholder wrote off its book value of \$31 million at the end of 1971 because of economic obsolescence. While market conditions are improving, there are still complex and long term problems in the existing sulphite process and the Company is actively examining a number of solutions to these problems.

3. Pollution Abatement

Significant additional expenditures will be required in future years to meet discharge standards required by both Federal and Provincial pollution regulations. The Company is preparing a comprehensive environmental protection program to meet requirements of regulatory authorities. While this program is not yet finalized, it will entail substantial capital expenditures. It is currently envisaged that standards for the Company's two kraft mills will be met over a period of about 8 years beginning in 1974 and by capital spending of approximately \$30 million (present cost). The Prince Rupert sulphite mill will require a more detailed examination to first determine if a program for long term viability can be achieved, or an alternate mill constructed. Only in this context can the environmental aspects be undertaken.

4. Interior Resources Utilization

The interior operations have operated profitably since startup and it is apparent that additional resources are available for expansion.

The Company has undertaken a comprehensive review of resources, including total wood availability, species, size and type of timber. Completion of this first step is expected by mid-year 1974. A decision on end-use and further detailed feasibility studies will be based on this initial analysis.

Outlook

The demand for pulps has historically been cyclical. However, the general outlook is better than it has been for some years. Very little additional capacity is coming on stream and there is a basic surplus of demand over capacity which at present cannot be filled. The strength of the kraft pulp market was demonstrated by the sharply higher prices obtained during 1973.

The rates of return to justify additional capacity have been inadequate in recent years, and only now are approaching a level which should begin to attract new capital. More importantly, low cost wood resources throughout the world are not readily available. Other factors which tend to deter additional capacity include the high cost of long term capital funds and construction costs. These fundamental factors lead us to conclude that the intermediate term outlook is for strong world pulp markets. Further price increases are foreseen for 1974.

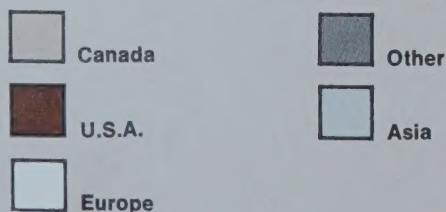
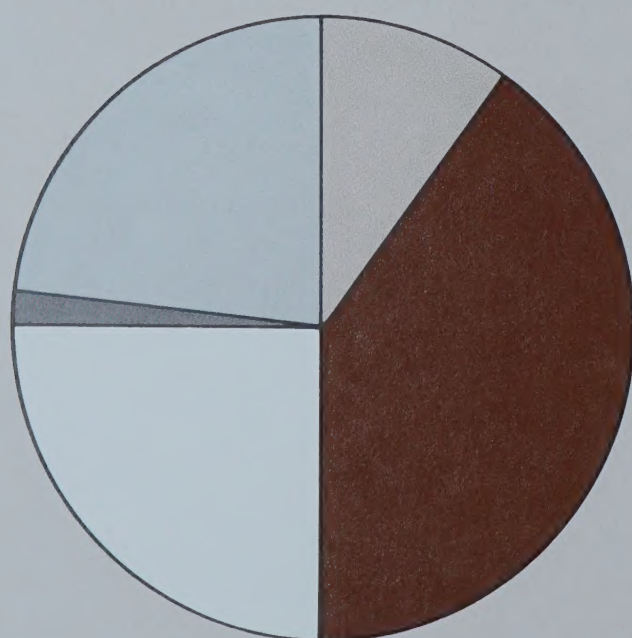
Lumber prices declined substantially from mid-year to the end of 1973. This softening of the market was largely due to the reduction in housing starts in the United States and energy problems in overseas markets. We believe that 1974 will be a reasonably good year.

In 1974, the Company will be intensively involved in negotiations with the International Woodworkers of America affecting both the northern and interior woods and sawmill operations. The industry-wide contract for the northern woods and Kitwanga lumber mill expires on June 14th, followed by expiry of the agreement for the interior woods and sawmill on June 30th. In the latter negotiations, the Company bargains directly with the I.W.A. locals at Nakusp and Castlegar. Direct negotiations will also be conducted with the Christian Labour Association whose agreement for the northern sawmill at Terrace expires on July 31st.

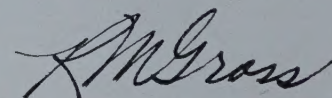
The rate of cost inflation gives cause for concern. Costs for raw materials, supplies, capital goods, energy and labour are escalating extremely rapidly. There are also shortages of all these major ingredients. We believe these shortages, which are from externally based factors, will continue to affect our business from time to time. However, provided that there are no material disruptions to world economies, the Company should continue to show improved earnings in 1974.

The Directors and management are grateful for the support received from our employees, shareholders, customers and the communities in which the Company operates.

1973: PULP SALES BY MARKET AREA



On behalf of the
Board of Directors,



Ronald M. Gross
President
Feb. 26, 1974



This is Canadian Cellulose

This is the story of Canadian Cellulose—one of British Columbia's largest forest industry companies.

The following pages will serve to give some insight into a complex of logging operations, sawmills, pulp mills, and marketing and administration services employing a total of more than 3000 individuals.

Canadian Cellulose Company, Limited, or CanCel, as we are familiarly known, consists of trees, mills and people. The combination results in much needed forest products for many nations.

Of all our resources, the human resource is by far the most important. The quality of our forest products, and the services we provide to the markets of the world, depends on the skill, dedication and enthusiasm of the men and women in our departments and divisions.



What and Where We Are:

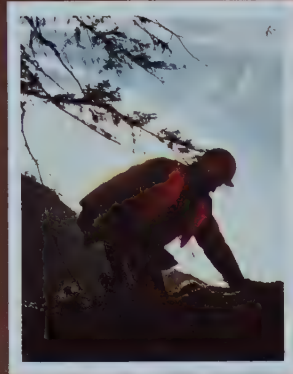
Canadian Cellulose is an integrated forest products company specializing in the production of bleached kraft sulphate pulp, dissolving chemical pulp and lumber. Our operations are geographically divided into two regions; the Northern Operation in the Prince Rupert Forest District of British Columbia; and the Interior Operation in the Columbia River Basin of South Central British Columbia.

Operations in our northern division include two pulp mills at Watson Island near Prince Rupert with a total capacity of 1,300 tons a day. Our wood resources supplying these mills are located in the Skeena and Nass River Valley (the Skeena public sustained yield unit and Tree Farm Licence No. 1) and our logging operations there are among the largest in the province, handling over a million cunits a year.

Lumber production in our northern division takes place at Terrace where we have a sawmill and a Chip-N-Saw installation. At Kitwanga we have another Chip-N-Saw mill. The three mills produce 162 million board feet a year, and residual chips for our Prince Rupert pulp mills, supplementing chips purchased from other sawmills in the area.



CanCel's Interior Operations include a bleached kraft sulphate mill with a capacity of 590 tons a day, and a sawmill producing 125 million board feet a year. Both are located in Castlegar. Logging operations near Nakusp provide the raw materials for these two mills. Thirteen species of trees are harvested in Tree Farm Licence No. 23, including hemlock, cedar, fir, larch, spruce, balsam, and pine.



These logs are bundled, rafted and towed by boat to Castlegar.

Our markets embrace many of the major countries of the world, including Japan, the European Common Market countries, and the United States. Less than ten percent of our total pulp and lumber sales is marketed in Canada. Our bleached kraft pulp from the northern mill is shipped to Japan and Europe. Most of our sulphite dissolving pulp goes to the United States, as does much of the bleached kraft pulp production from Castlegar.

Almost all of our lumber production moves to North American markets by rail, and we are now developing the establishment of offshore markets for our expanding lumber production.

Logging and Forestry:

Everything begins with the forest and the logging operation. Engineers plan and build roads into areas to be logged. Along these roads, which can cost as much as \$40,000 a mile, the logging crews and the yarding machines move in to harvest the trees.

CanCel uses grapple yarders, as well as other heavy equipment, which work



16 hours a day on a two-shift basis, made possible by sodium vapor lights which illuminate 1,500 feet of working area.

Once the logs have been yarded (assembled ready for transportation) they are moved to the mill or the pulp plant either by truck or by water. At CanCel's Northern Woods Operations both pulp and sawmill logs are loaded onto trucks together. They are transported to a reload yard where they are sorted by highly skilled teams. Scalars measure and grade the logs according to size and condition,



and then they are reloaded for delivery either to the Prince Rupert pulp mills or the sawmills.

While sophisticated loading equipment and giant trucks are essential in the transportation of logs to pulp mills and sawmills, water transportation is even more important. Both in CanCel's Northern and Southern Interior Woods Operations, rivers play an important role in the delivery of logs.

The Nass River Drive Story

The drive begins in the spring. To take full advantage of the river, the logs are decked on the bank and carried, as the river level rises, to the middle of the stream. The Nass is a shallow, fast flowing river with many rocks and curves where logs can form a "jam".

Here CanCel has introduced unique



techniques to ensure a clean river and fast delivery of the logs down 110 miles of river to Iceberg Bay. We use sleek, shallow draft aluminum vessels, with water jet propulsion systems for the speed and the power they offer, plus tugs.

"Fin booms" are employed, made by chaining logs together to form a straight line along the river bank in areas where logs could become grounded on beaches and sandbars. Wooden fins, seven feet long and tapered at one end, are attached to the logs at an angle of 45 degrees out into the river. As logs reach these areas, they are deflected by the fin booms and carry on downstream. If a fin breaks when hit, its replacement takes a few minutes compared with the hours to mend a boom. Once Iceberg Bay is reached, the logs are sorted and delivered to Prince Rupert.

Columbia River Drive Story:

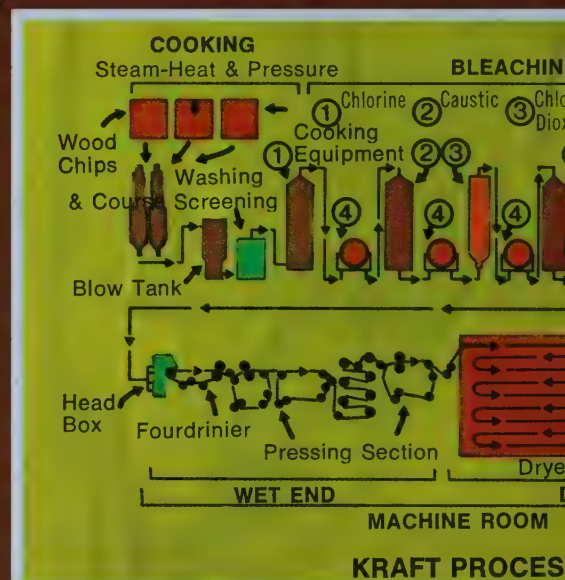
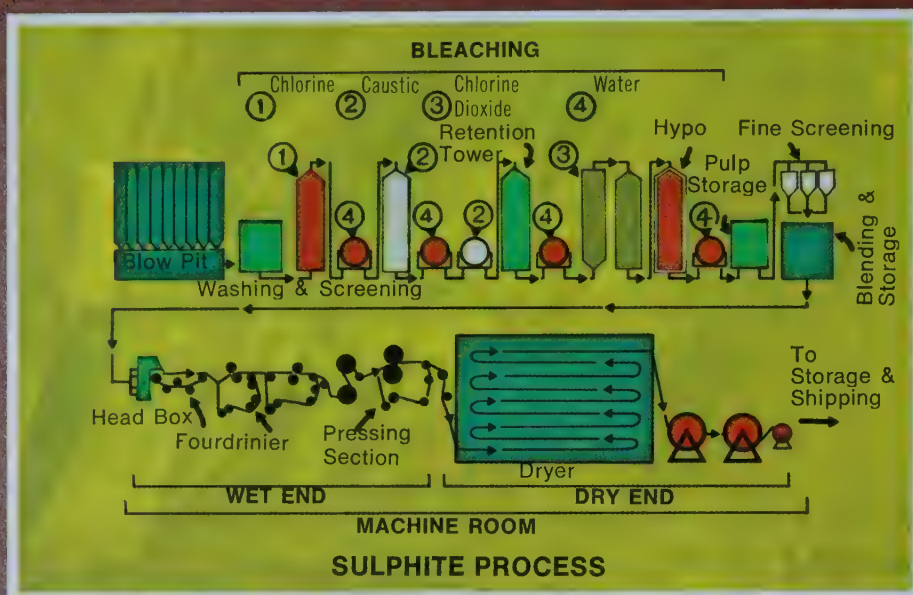
In the southern interior our logs are transported nearly 170 miles down the Arrow Lakes and the Columbia River to the mills at Castlegar.

Logging takes place in the summer and winter. Huge bundles of logs are transported by truck to various log dumps along the length of the Columbia River and Arrow Lakes.

At the water dumps they are made up into "bag booms" varying from 50 to 60 bundles each. These booms are towed to Nakusp where the logs are sorted as to species and then rafted into what we call "pure sort" booms. These booms then begin their journey to Castlegar, towed by the mighty "Captain Sutherland" tug boat. This tug is capable of towing over 10,000 cunits of wood on each trip.

The huge booms are towed to storage areas immediately above the Hugh Keenleyside Dam where they are converted into "lockage rafts" to allow passage through the dam to the mills a quarter-mile downstream. Lockage rafts consist of 15 bundles of logs, three bundles wide and five long.

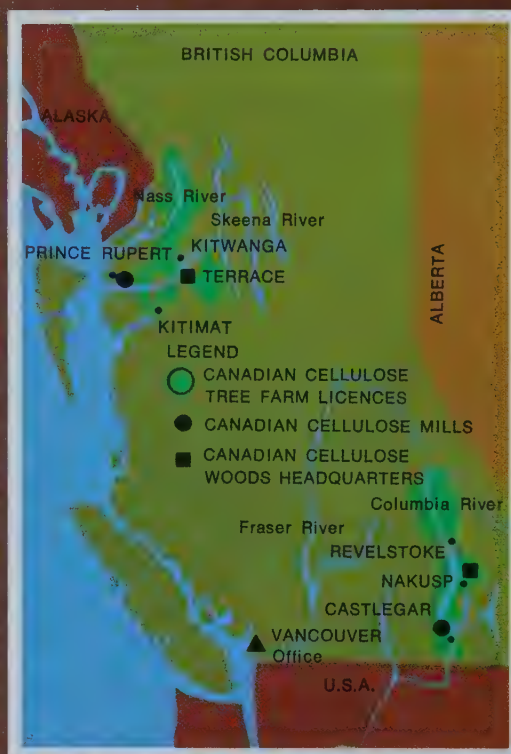




From Logs to Lumber:

The reputation of Canadian Cellulose Company, Limited has, in the past, tended to be built on its production of top quality pulp products. However, the company is now recognized as a major producer of lumber products, with lumber production increasing year by year.

In recent years, Canadian Cellulose has expanded its lumber operations in Terrace and the surrounding areas. In 1969, two Chip-N-Saw installations were constructed at Pohle and Kitwanga. The aim was to increase the company's smallwood utilization capability and the quantity of chips available to the Prince Rupert pulp mills. One-half of the company's total northern lumber production comes from the two smallwood mills. The two Chip-N-Saw installations increased the company's northern capacity to 162 million fbm per year.

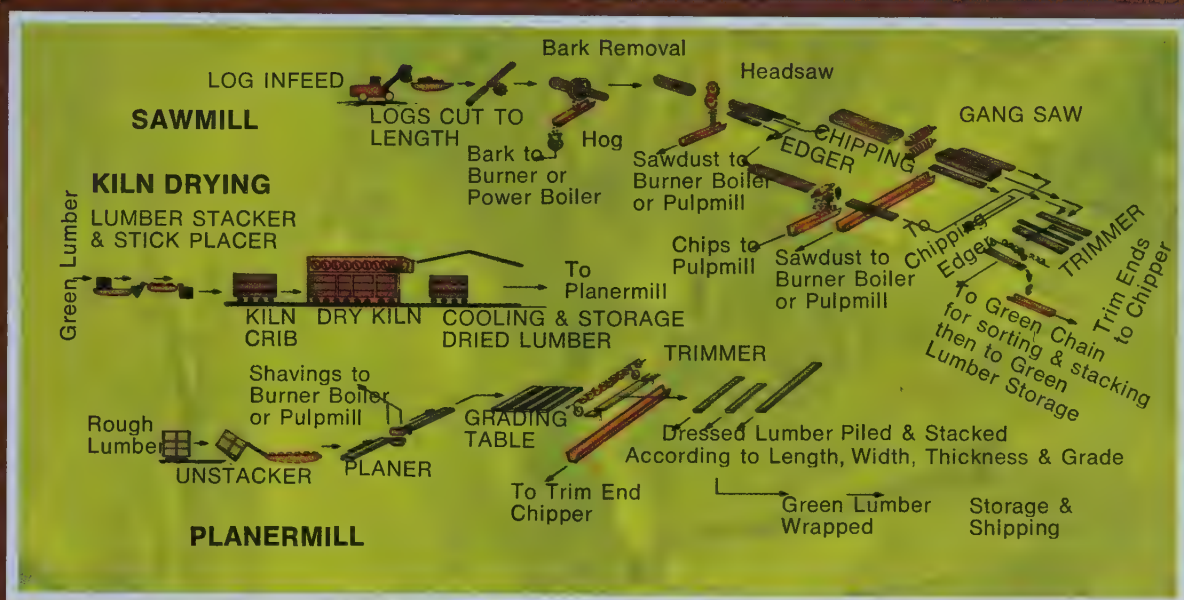
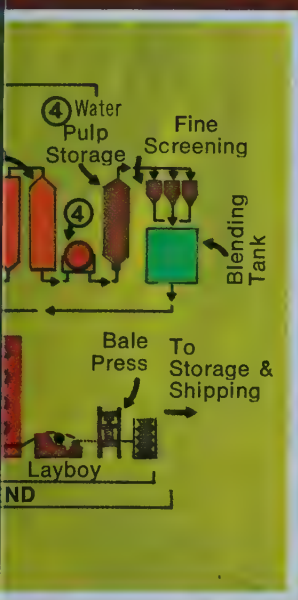


The Chip-N-Saw installations provide maximum recovery of lumber from each log processed with minimum waste. They are designed to handle logs from 5 to 16 inches in diameter. In a single pass, the machine produces boards of the desired thickness and can be reset to produce a variety of sizes according to the customer's specifications. Chips of uniform size come from the sapwood area of the log. On the average, the unit will convert 61 percent to lumber and 33 percent to pulp chips.

In order to more fully utilize CanCel's forest resources, and to utilize the wood for its highest economic value, the company again expanded its facilities at Pohle Lumber and Kitwanga during 1971 and 1972.

The new planer mill at Pohle Lumber has increased finished production at Pohle to over 100 million board feet per year.

The combination of lumber and pulp production is ideal in every way. Logs which can produce merchantable lumber are graded and diverted to the sawmill, and much of the wood waste from this operation is converted into chips for the pulp making process. The residue of sawdust and bark is used for fuel to generate power for sawmilling and pulp production. Little or nothing is wasted in the forest industry these days.



Our Interior Lumber Operations:

At Castlegar, the Canadian Cellulose sawmill produces some 125 million fbm of lumber annually, essentially from two separate sawmills contained in a common facility. The mill incorporates two separate headsaws, one of which saws fir and cedar while the other saws pine or spruce. Approximately 80 percent of the Interior lumber is sold in the United States while 20 percent is sold in Canada. The majority of the U.S. business is in the "mixed car" trade which means a customer can order from ten to 50 special cuts of lumber in one boxcar. This is extremely advantageous to a builder because he can virtually order everything he needs for a construction job and only have to unload one car.

Perpetuating the Forest:

The forest industries of British Columbia rely on the forests of the province. Our Tree Farm Licence agreements require that all productive forest lands be restocked to obtain sustained yields. For every tree harvested another must be grown in its place. CanCel spends much time, energy and money perpetuating the forest.

In about 75 percent of the areas cut, natural regeneration takes place. For natural restocking, it is imperative to have the proper seed bed conditions. If these conditions are not present, such as in areas where we have burned slash, we must replant. This is also the case in dense areas of brush growth, which are often the best forest lands.

All the areas that we cut are checked after two or three years. As soon as they have reseeded naturally we mark them as immature forest. Those areas that don't regenerate we mark as NSR (non satisfactorily restocked) and we begin to restock.

Our aim is to plant between 450-500 trees per acre. The life of these trees begins at the nursery. We collect seeds, some of which we plant immediately, while others we put in cold storage at the B.C. Forest Service.

Two years later, we receive these seedlings back from the Forest Service ready to be either planted in the field or replanted in the nursery for another year. This way we get a stronger and heavier form of seedling which survives in the more difficult forest areas.

Planting time at the nurseries comes every spring and fall. The crew of nursery men work rapidly, sowing seedlings, sorting and packing. They work transplanting trees which were not strong enough after two year's growth. The normal survival rate for the seedlings, once they have been replanted, is about 80 percent. These are mostly Sitka Spruce and Lodgepole Pine. The three year olds have a survival rate of nearly 100 percent.

No matter how much care and trouble is taken in the nurseries, the trees' survival depends on the skill of our men in the field. If the trees are not replanted properly, they will not survive.

Our Interior Pulp Operations:

A pulp mill is basically a wood processing plant to prepare cellulose fibres for papermaking or the manufacture of man-made fibres. At Castlegar we make bleached kraft pulp for use in paper manufacture.

Wood for our Castlegar mill is waterborne from the Interior Woods Operations down the Columbia River. It is lifted from the water by a huge Colby Crane to the woodroom log deck. Logs are debarked by high pressure jets of water and then enter a chipper. The chipper is made up of eight rotating knives. These knives reduce, in a matter of seconds, the solid logs to chips measuring approximately 1" x 3/4" x 1/8" thick.

The chips travel on a conveyor to storage silos, or are blown onto outdoor chip piles to await processing.

Chips in process are first sorted mechanically on vibrating screens.

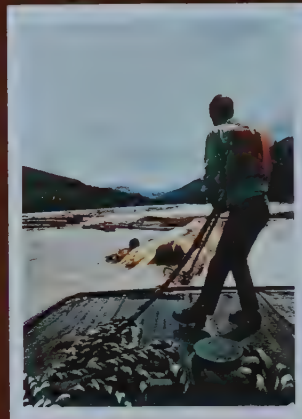
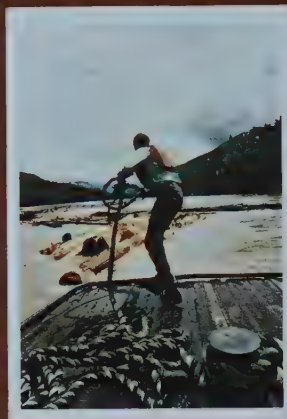


These screens allow only uniform chips to travel on to the digesters. As in any cooking, uniformity in size is important for consistency in cooking chips.

After they are screened, the chips are fed into steaming vessels, like huge pressure cookers, which soften the wood to start the natural lignins moving and to allow easier penetration of the cooking liquor. They are then pumped into two 100-foot-high digesters and cooked with hot alkaline liquor made up of sodium hy-

droxide (caustic soda) and sodium sulfide. Chips and cooking liquor are fed continuously into the top of the digesters and are forced downward as a plug. Three and a half hours later, at the bottom of the digesters, the wood chips have been reduced to a hot pulp which resembles dark brown porridge.

Recovering the liquor is an important step in the pulping process. Although this system has primarily economic benefits, it is also a pollution control which keeps quantities of chemicals out of the air and river. The liquid, containing the lignins and carbohydrates dissolved from the wood, is washed from the pulp with hot water, and then concentrated by an evaporation process and burned in a special recovery boiler. (The organic material dissolved from the wood burns easily in the boiler and



Chlorine dioxide in solution is added to the washed and cleaned brown stock pulp. After a short time chlorine gas is also added and the pulp is then transferred to a larger tower. On completion of this chemical treatment, the pulp is pumped from the tower to a special drum washer. Water jets wash the pulp (now a bright orange colour due to the chlorine) before it goes into another tower. Here caustic



generates up to 300,000 pounds per hour of high pressure steam used for pulp processing.) The burning of the concentrated liquor generates more than half of the mill's steam requirements and, at the same time, returns most of the original cooking chemical as a smelt deposit which is redissolved, treated with lime, and recausticized into re-usable cooking liquor.

After the spent liquor is washed from the pulp and sent on its way, the brown stock is further screened and centrifugally cleaned to remove uncooked slivers and dirt which reduce the quality of the finished product. It is now ready to be bleached.

is added. It is pumped out of the caustic tower and goes over another washer. The pulp still looks brown at this stage, something like raw wool. After washing it is pumped into another tower and more chlorine dioxide is added. To obtain





The chemicals used to cook wood chips for sulphate and sulphite pulp do the same basic job of dissolving the plastic-like lignin and other natural wood chemicals which nature uses to bind cellulose fibres together. The overall treatment (cooking and bleaching) determines the pulp's final characteristics. Pulp, for textiles and plas-

the high brightness required for fine papers a further treatment in towers—first with caustic and then chlorine dioxide with intermediate washing—is carried out.

The time spent in the chemical towers, and the amount of chemicals added to achieve CanCel's desired result, are determined by pulping experience and based on laboratory evaluations. CanCel makes a high

Our Northern Pulp Operations:

CanCel mills at Prince Rupert can produce more than 1,300 tons of wood pulp per day. Much of this leaves Canada from our own deepsea dock and is sold in Japan, South America, the United States and Europe.

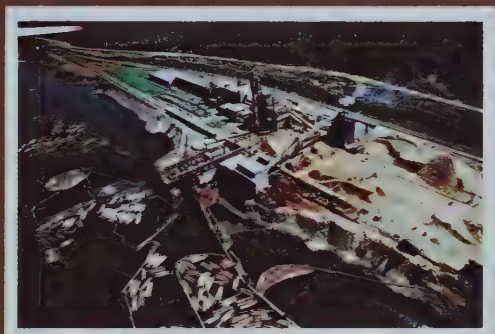
From wood chips, we make two kinds of pulp. There is not much difference to the naked eye, but each form of

tics, must be exceptionally pure. On the other hand, papermakers look for kraft pulps of high strength and whiteness—achieved through a combination of original wood properties and the bleaching process.

In the sulphite process, sulphur dioxide, ammonia and water are combined to make an acid which dissolves the wood lignin and frees the cellulose fibres. Further purification with caustic and bleaching agents delivers an exceptionally pure form of cellulose.

The kraft mill at Prince Rupert uses an alkali-base chemical instead of acid, in this case a solution of sodium hydroxide and sodium sulphide (called white liquor). The action of white liquor dissolves the lignin but leaves the natural strength of the cellulose fibres unchanged. By this time, the billions of fibres are drained of water on the Fourdrinier Machine, then passed through driers and pressed to form pulp. The black liquor chemicals are reclaimed in our recovery furnace. We can also use tree bark to generate steam heat and electricity.

Sulphite pulp is used in the manufacture of various fabrics (including rayon, acetate tricot) and for the filters in cigarettes. Cellulose acetate materials can be made sunlight resistant and have an excellent capacity to accept crisp, vivid colours through solution-dyeing. Sulphate or kraft pulp is used in many varieties of fine papers, folding boards and high strength paper bags.



brightness pulp equivalent in quality to the whitest pulps in the world.

From the bleach plant the pulp is cleaned and then carries on to the machine room where it is formed on a "Fourdrinier Machine" into a continuous sheet, dried, cut into rectangles, compressed hydraulically to reduce bulk and wrapped as bales ready for the market.

During each stage in the pulping and bleaching process, and in the machine room, the pulp is tested by trained technicians to ensure a high standard of quality. Periodic special check tests are run on the cooked pulp to ensure proper saturation of heat and chemical.

pulp is used for completely different end products.

Prince Rupert sulphite (also known as 'dissolving' or 'acetate' pulp) is a basic ingredient in some types of textiles, films and plastics (although it may be also used in certain papers). Sulphate, or kraft pulp, is used to make paper such as this folder. The two pulps are manufactured by using different chemicals in the manufacturing process.



International Pulp Sales:

In 1971, the company established a sales office in Brussels, Belgium, to primarily service European customers. Brussels was selected as the new headquarters for Europe because it is considered the capital of the Common Market countries and is situated only a few hours by freeway from many of the markets of the company; Germany, France and Holland. Also it is close by air to other major markets, such as the United Kingdom, Spain and Italy.

Another reason for establishing the European market in Brussels is due to the fact that the Port of Antwerp is just 30 miles away. Antwerp is the second largest port in Europe and provides us with direct rail, truck and barge connections to all the market areas of Europe.

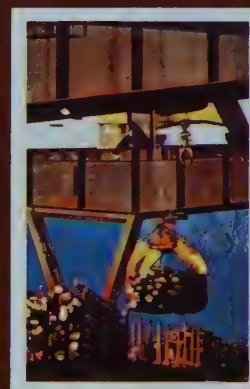
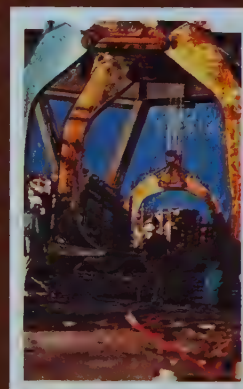
Today our customers number more than 40 of Europe's leading paper-makers.

North American Pulp Sales:

Sales to Canadian, American and Mexican customers are processed by our Montreal Sales Office. All but three of our customers in this market area are located within the United States, the world's largest single pulp market. Canadian Cellulose is the third largest supplier of softwood kraft pulp to the United States.

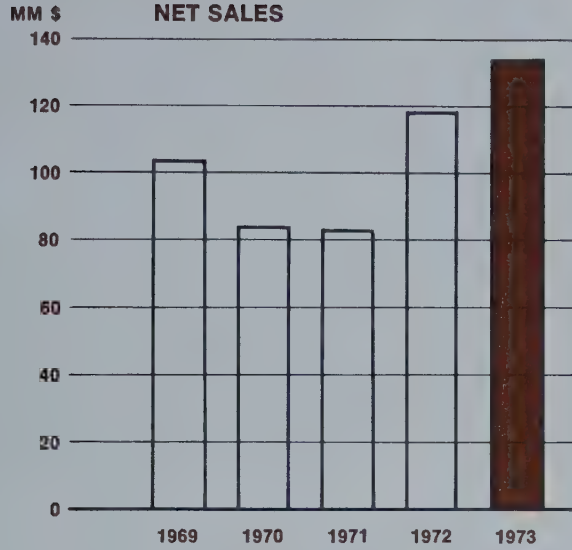
Variations experienced in recent years' domestic marketing programs will, we believe, be marked by less fluctuations in the future, even if weaker markets should prevail. Factors contributing to this optimism include our top quality products, strengthened management and ownership (plus a growing reputation as a profitable manufacturer), a well developed 12-year domestic customer base, long-term contracts, and effective back-up service, and the ability to provide quick answers to customers' enquiries.

British Columbia's extensive forests have been an invaluable asset to the country and its people since the earliest days of settlement. The productive portion of these forests has poured increasing wealth into the stream of national income, contributing to the economy of the country as a producer of raw materials for industry and as a source of livelihood for thousands of persons. Canadian Cellulose Company, Limited is an important part of that forest industry, producing a quality of product second to none.

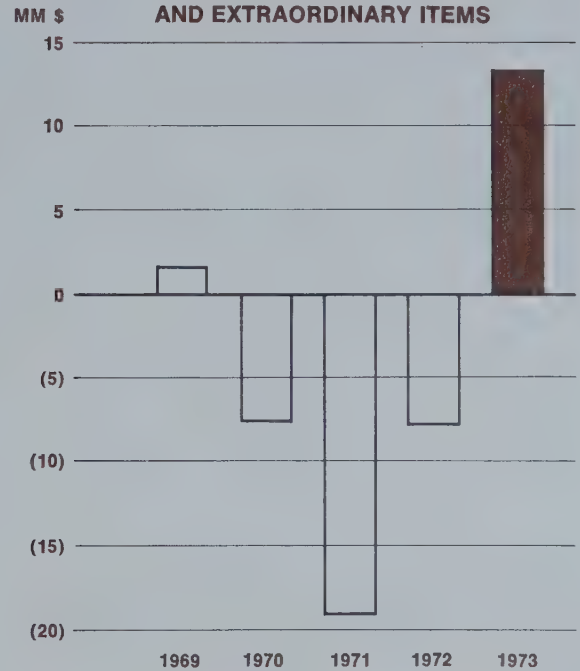


Five Years at a Glance

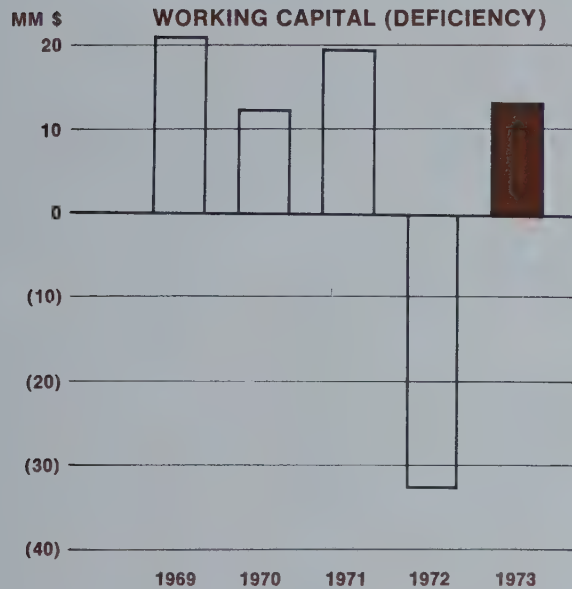
NET SALES



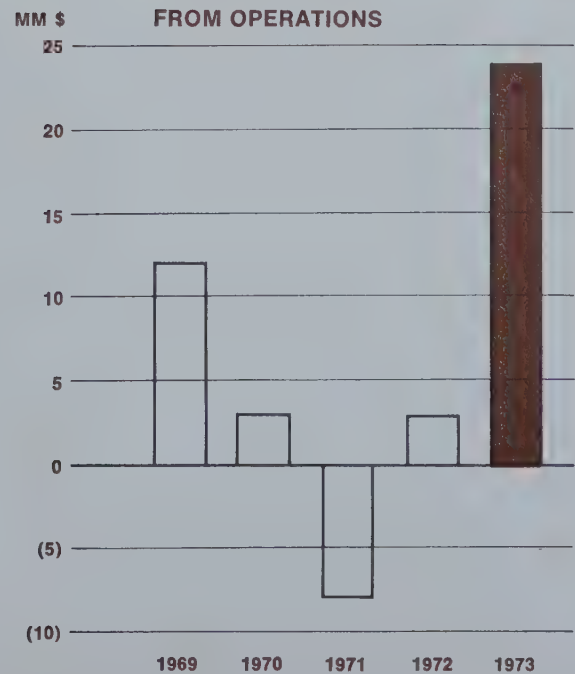
**EARNINGS: BEFORE TAXES
AND EXTRAORDINARY ITEMS**



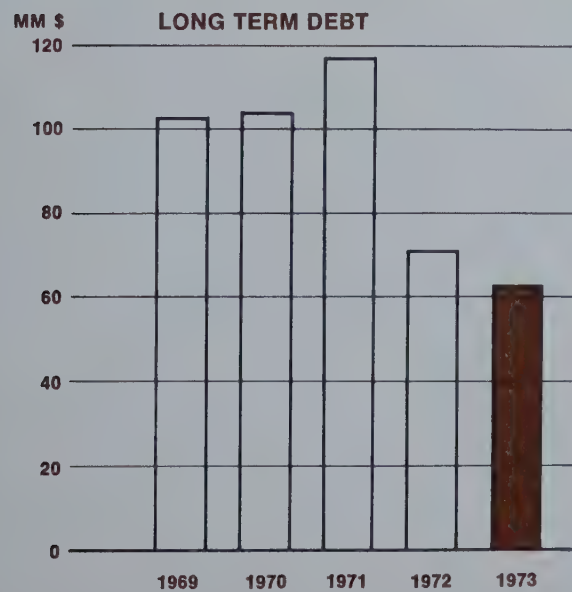
WORKING CAPITAL (DEFICIENCY)



**CASH GENERATED
FROM OPERATIONS**



LONG TERM DEBT





Canadian Cellulose Company, Limited and subsidiaries

Consolidated Balance Sheet at December 31

ASSETS

	(Thousands)	
	1973	1972 (note 2)
Current assets		
Cash	\$ 3,612	7,088
Accounts receivable	18,950	19,522
Inventories (note 4)	33,686	26,068
Prepaid expenses	104	70
	<u>56,352</u>	<u>52,748</u>
Investment and deposits		
Investment in affiliate (note 3)	1,624	1,849
Timber and other deposits	1,037	604
	<u>2,661</u>	<u>2,453</u>
Property, plant and equipment, at cost (note 5)		
Timber cutting rights, roads and related facilities	26,293	34,598
Buildings, machinery and equipment	225,019	217,525
	<u>251,312</u>	<u>252,123</u>
Less: Accumulated depreciation, amortization and depletion	198,120	125,248
	<u>53,192</u>	<u>126,875</u>
Land	1,002	964
Net property, plant and equipment	<u>54,194</u>	<u>127,839</u>
Deferred charges (note 1)	—	1,072
	<u>\$ 113,207</u>	<u>184,112</u>

LIABILITIES		
		(Thousands)
	1973	1972 (note 2)
Current liabilities		
Bank loans (note 6)	\$ 13,124	18,210
Accounts payable and accrued liabilities	23,937	18,631
Current portion of long term debt	6,117	6,140
Due to Celanese Corporation	—	42,404
	43,178	85,385
Long term debt		
First mortgage bonds (note 7)	59,892	65,729
Other (note 8)	1,534	1,700
Unrealized foreign exchange gain on long term debt	—	3,784
	61,426	71,213
Minority interest	—	29,934
	SHAREHOLDERS' EQUITY (note 9)	
Capital Stock	68,750	70,778
Deficit	(60,147)	(73,198)
	8,603	(2,420)
Commitments (note 10)		
	\$ 113,207	184,112

Signed on behalf of the Board

Ronald M. Gross, Director

Charles C. Locke, Q.C., Director



Canadian Cellulose Company, Limited and subsidiaries

Consolidated Statement of Changes in Financial Position

	(Thousands)	
	1973	1972 (note 2)
Source of funds		
From operations		
Net earnings (loss) for the year	\$ 12,318	(7,959)
Charges (credits) to earnings not involving use of funds		
Depreciation, amortization and depletion	10,786	10,241
Deferred income taxes (note 8)	895	—
Other	(21)	530
	<u>23,978</u>	<u>2,812</u>
Proceeds from sales of fixed assets	671	1,565
Contribution by Celanese Corporation and other adjustments resulting from the reorganization	<u>41,645</u>	<u>—</u>
	<u>66,294</u>	<u>4,377</u>
Application of funds		
Expenditures on fixed assets	9,441	10,197
Purchase of leased equipment	3,475	—
Reduction of long term debt		
First mortgage bonds	6,112	6,273
Celanese Corporation notes	—	37,931
Other	1,226	2,011
Other investments	<u>229</u>	<u>86</u>
	<u>20,483</u>	<u>56,498</u>
Net increase (decrease) in working capital	<u>45,811</u>	<u>(52,121)</u>
Working capital (deficiency) at beginning of year	<u>(32,637)</u>	<u>19,484</u>
 Working capital (deficiency) at end of year	 <u><u>\$ 13,174</u></u>	 <u><u>(32,637)</u></u>

Consolidated Statement of Earnings

	(Thousands)	
	1973	1972 (note 2)
Net sales	\$ 133,801	118,793
Operating costs		
Cost of goods sold	111,522	115,553
Selling and administration	3,993	5,002
	115,515	120,555
Operating profit (loss)	18,286	(1,762)
Interest expense		
Long term debt	(3,874)	(5,692)
Other	(1,205)	(782)
Other income	71	360
Earnings (loss) before taxes and extraordinary item	13,278	(7,876)
Provision for income taxes (note 8)	6,200	83
Earnings (loss) before extraordinary item	7,078	(7,959)
Income tax reduction on application of prior years' losses (note 8)	5,240	—
Net earnings (loss)	\$ 12,318	(7,959)
Earnings per share (note 13)		
Earnings (loss) before extraordinary item	\$.58	(.65)
Net earnings (loss)	\$ 1.01	(.65)

Consolidated Statement of Shareholders' Equity (note 9)

Shareholders' equity (deficit) at beginning of year	\$ (2,420)	5,539
Contribution of equity arising from the cancellation of the interests of Celanese	73,330	—
Write-down of fixed assets and other reorganization adjustments (note 1)	(74,625)	—
Net earnings (loss) for the year	12,318	(7,959)
Shareholders' equity (deficit) at end of year	\$ 8,603	(2,420)

Notes to Consolidated Financial Statements

1. REORGANIZATION

Pursuant to an agreement dated as of April 2, 1973 among Canadian Cellulose Company, Limited (Canadian), Columbia Cellulose Company, Limited (Colcel), Celanese Corporation (Celanese), British Columbia Cellulose Company, a company wholly-owned by the Province of British Columbia (B.C. Cellulose) and others, which agreement was approved, ratified and confirmed as having been validly made by the parties thereto by the British Columbia Cellulose Company Act, the assets and liabilities of Colcel (excluding interests of Celanese) were combined on June 29, 1973 with those of Canadian, formerly the principal operating subsidiary of Colcel. Colcel then ceased to be a shareholder of Canadian. Canadian was required under the agreement to write down its fixed assets. The write-down and other appropriate adjustments made at June 29, 1973, as shown on the statement of shareholders' equity, were:

	(Thousands)
Write-down of fixed assets	\$75,485
Write-off of deferred charges	1,029
Revaluation of long term debt payable in foreign currencies (note 3)	(3,564)
Expenses of and other adjustments on reorganization	1,675
	<u>\$74,625</u>

See note 9 for further details.

2. COMPARATIVE FIGURES

All 1972 figures shown for comparative purposes are those of Columbia Cellulose Company, Limited (Colcel) on a consolidated basis which were reported on by the auditors of Colcel and, where applicable, have been restated to reflect minor reclassifications to conform with the presentation for the current year. Since all the operations formerly carried on by Colcel and its subsidiaries have been combined with those of Canadian pursuant to the reorganization mentioned in note 1, the 1973 earnings and changes in working capital include the consolidated figures of Colcel for the period January 1 to June 29, 1973.

3. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Canadian and its subsidiaries. The investment in the affiliate company, Haseldonckx, S.A., (50% owned) is accounted for on the equity method.

Foreign exchange

Current assets and current liabilities in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the end of each year. Non-current assets and liabilities have been translated into Canadian dollars at the rates of exchange prevailing at June 29, 1973, the date of the reorganization. The resulting net gain on exchange has been included in the net adjustment arising from the reorganization shown on the consolidated statement of shareholders' equity. Income and expenses of foreign subsidiaries are translated on the basis of approximate average exchange rates for each year, except that depreciation is translated at historical rates.

4. INVENTORIES

	(Thousands)	
	1973	1972
Logs, pulp chips and other raw materials	\$22,514	11,946
Pulp and lumber	7,163	9,985
Supplies	4,009	4,137
	<u>\$33,686</u>	<u>26,068</u>

Inventories of pulp and lumber are valued at the lower of average cost or net realizable value. Other inventories are valued at the lower of average cost or replacement cost.

5. PROPERTY, PLANT AND EQUIPMENT

As at June 29, 1973, property, plant and equipment was written down by a total of \$75,485,000 (note 1) of which \$9,964,000 was applied against the net book value of specific assets. The remaining \$65,521,000 has been added to accumulated depreciation, amortization and depletion. Although such additional depreciation was provided, the policy has been adopted to continue to calculate the annual depreciation charge on the same basis as previously.

Depreciation, amortization and depletion, other than for the sulphite mill, are provided by application generally of composite rates as follows:

Pulp mills	4% straight-line on cost
Sawmills	4% to 10% straight-line on cost
Logging equipment	10% to 20% diminishing balance method
Timber cutting rights, roads and related facilities	production derived as a proportion to estimated total production available from such assets

The sulphite pulp mill was written off in 1971 and annual capital expenditures incurred after 1971 have been expensed as depreciation in the year incurred.

6. BANK LOANS

The bank loans at December 31, 1973 are secured by inventories and accounts receivable.

7. LONG TERM DEBT

First mortgage bonds excluding portion payable within one year included in current liabilities:

	(Thousands)	
	1973	1972
U.S. \$28,000,000 in 1973 (U.S. \$32,000,000 in 1972) 6½% First Mortgage and Collateral Trust Bonds, due January 2, 1981 with annual sinking fund instalments	\$27,950	31,869
U.S. \$32,000,000 in 1973 (U.S. \$34,000,000 in 1972) 5½% First Mortgage and Collateral Trust Bonds, due July 1, 1985 with annual sinking funds instalments	31,942	33,860
	<u>\$59,892</u>	<u>65,729</u>

As part of the reorganization, the first mortgage bonds were translated at the U.S. dollar rate of exchange in effect on June 29, 1973. The resulting gain on revaluation is reflected in the adjustment arising on reorganization as indicated in note 1. The trust deed securing the first mortgage bonds was amended in 1973 to remove various financial restrictions including the restrictions on the payment of dividends. The Province of British Columbia has unconditionally guaranteed payment of the principal and interest on the bonds. In consideration of the foregoing, Canadian has undertaken to pay a fee of ¼ of 1% annually (subject to renegotiation in July, 1978) on the amount of the first mortgage bonds outstanding.

Maturities relating to long term debt through 1978 are:

	(Thousands)
1974	\$6,117
1975	6,076
1976	6,574
1977	6,474
1978	6,474

8. INCOME AND LOGGING TAXES

The normal income and logging tax expense for 1973 is \$6,200,000. However, income taxes for 1973 have been reduced since the Company intends to claim sufficient depreciation for tax purposes, prior years' cash losses, or a combination thereof, to eliminate liability for substantially all such taxes. If the Company ultimately elects to claim for Federal income tax purposes prior years' cash losses which would otherwise lapse, logging taxes in the amount of \$895,000 will probably become payable after 1974. Accordingly, the 1973 tax reduction has been reduced by that amount and the provision for future logging taxes has been included in other long term debt.

Assuming all available cash losses are utilized, the income tax value of the depreciable assets of the Company at December 31, 1973 will exceed the value recorded in the accounts by approximately \$125,000,000, representing possible future tax benefits of approximately \$56,000,000. These potential benefits have not been recognized in the accounts because of the uncertainty of their ultimate realization. Such benefits will be recorded in future years to the extent that the excess value may be applied against future years' taxable earnings.

9. SHAREHOLDERS' EQUITY

The statement of shareholders' equity reflects the changes between the December 31, 1972 Colcel deficit of \$2,420,000 and the December 31, 1973 Canadian equity of \$8,603,000.

An analysis of the 1973 changes in the capital stock and deficit of Canadian is given below:

(i) Capital stock

Canadian's capital stock at December 31, 1972 comprised the following:

	(Thousands)
7% voting cumulative redeemable preferred shares of \$100 each. Authorized and issued 150,000 shares	\$15,000
8¾% voting cumulative redeemable preferred shares of \$100 each. Authorized 150,000 shares; issued 140,000 shares	14,000
7¼% non-voting non-cumulative redeemable preferred shares of \$100 each. Authorized 250,000 shares; issued 142,500 shares	14,250
Class A common shares of \$1,000 each. Authorized and issued 60,000 shares	60,000
Class B common shares of \$100 each. Authorized and issued 100,000 shares	10,000
	<u>\$113,250</u>

Pursuant to the reorganization outlined in note 1, all the issued 7¼% preferred shares and Class A and Class B common shares were surrendered and cancelled without diminishing authorized capital; the Class A common shares were converted into Non-Voting Shares without par value; Canadian issued 39,750 Non-Voting Shares to Colcel as payment for its debentures; the capital of Canadian was increased; the 7% preferred and 8¾% preferred shares, which were held by Celanese, and other unissued shares were redesignated as Common Shares without par value and subdivided into 24,318,119 shares; Celanese

transferred to the holders of Colcel shares (other than Celanese) two Canadian Common Shares for each Colcel \$1.20 Preferred Share held and one Canadian Common Share for each Colcel common held; and the remaining outstanding Common Shares and all the outstanding Non-Voting Shares of Canadian were transferred by Celanese and Colcel, respectively, to B.C. Cellulose.

The capital stock of Canadian at December 31, 1973, which remains unchanged since June 29, 1973, is:

	(Thousands)
Non-Voting Shares without par value.	
Authorized 60,000 shares;	
issued 39,750 shares	\$39,750
Common Shares without par value.	
Authorized 24,318,119 shares;	
issued 12,151,453 shares	29,000
	<u>\$68,750</u>

Other than with respect to voting, the Common Shares and Non-Voting Shares are equal and carry the same rights including the right to payment of dividends and distributions of the same amount per share.

(ii) Deficit

	(Thousands)
Canadian's deficit at beginning of year	\$(83,964)
Transactions pursuant to the reorganization (note 1):	
Canadian preferred and common shares surrendered	84,250
Net assets transferred to Canadian	1,874
Write-down of assets and other adjustments	(74,625)
Net earnings for the year	12,318
Balance at end of year	<u>\$(60,147)</u>

10. COMMITMENTS

The Company has signed a letter of intent with two other forest products companies to participate in Babine Forest Products Limited to bid for a timber sale harvesting licence in the Burns Lake area of British Columbia. If the bid is successful, such company will construct and operate a sawmill. The Company's proposed investment in such company is estimated to be \$1,000,000, of which \$130,000 was advanced at December 31, 1973.

11. CONTINGENT LIABILITIES

The Company has guaranteed bank loans of certain of its suppliers. As at December 31, 1973, the total of such loans outstanding and subject to guarantee was \$715,000.

12. REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration of directors and senior officers amounted to \$395,000 in 1973 and \$447,000 in 1972.

13. EARNINGS PER SHARE

Earnings per share for 1973 and 1972 have been calculated on the basis of 12,191,203 shares, the number of shares outstanding after the Company's reorganization.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Cellulose Company, Limited as at December 31, 1973 and the consolidated statements of earnings, shareholders' equity and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 8, 1974

COOPERS & LYBRAND
Chartered Accountants



Canadian Cellulose Company, Limited and subsidiaries

Ten Year Review

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Sales and Earnings										
Net sales	133,801	118,793	83,498	83,537	103,267	88,156	67,495	64,397	65,530	62,347
Earnings (loss) before taxes and extraordinary items	13,278	(7,876)	(19,036)	(7,689)	1,421	(9,751)	(16,627)	(558)	6,744	8,419
Net earnings (loss)	12,318	(7,959)	(48,776)	(3,879)	1,421	(9,478)	(10,776)	(731)	3,524	4,259
Cash flow	23,978	2,812	(8,010)	2,981	11,938	1,911	(6,838)	6,217	12,339	12,875
Per share										
Net earnings (loss)	1.01	(.65)								
Cash flow	1.97	.23								
Financial Position										
Working capital	13,174	(32,637)	19,484	12,011	20,625	24,403	29,553	20,547	34,234	19,410
Fixed assets	252,314	253,087	245,912	241,863	237,192	227,386	225,436	220,590	170,478	139,095
Accumulated depreciation, amortization and depletion	(198,120)	(125,248)	(116,866)	(81,739)	(75,592)	(67,447)	(57,634)	(52,373)	(46,808)	(40,893)
Other assets	2,661	3,525	4,371	4,511	2,317	2,630	4,383	4,290	28,236	1,486
	70,029	98,727	152,901	176,646	184,542	186,972	201,738	193,054	186,140	119,098
Long term debt	61,426	71,213	117,428	103,656	102,869	105,379	125,552	114,325	105,358	61,792
Deferred income taxes	—	—	—	2,679	6,489	6,351	6,624	9,749	8,721	6,264
Minority interest	—	29,934	29,934	15,498	15,498	15,498	15,000	2,646	4,000	—
Shareholders' equity	8,603	(2,420)	5,539	54,813	59,686	59,744	54,562	66,334	68,061	51,042
	70,029	98,727	152,901	176,646	184,542	186,972	201,738	193,054	186,140	119,098
Production & Other Statistics										
Kraft pulp (M short tons)	378	421	392	338	408	384	270	187	178	185
Sulphite pulp (M short tons)	140	154	143	130	168	174	158	155	181	158
Lumber (MM f.b.m.)	254	249	232	150	133	127	86	118	114	106
Logs (M cunits)	1,451	1,095	1,165	1,001	1,368	1,214	1,087	848	776	732
Employees at end of year	3,022	2,951	2,748	2,649	2,738	2,840	2,913	2,963	2,665	2,453

Notes: (1) Comparative data for 1972 and prior is that of Columbia Cellulose Company, Limited and subsidiaries, with the exception that per share amounts for 1972 are related to the Canadian Cellulose shares now outstanding.

(2) Per share earnings and cash flow are not shown other than for 1972 and 1973 since the reorganization at June 29, 1973 renders this comparison with Columbia Cellulose inappropriate.

BOARD OF DIRECTORS

E. Bertram Berkley #

Chairman and President, Tension Envelope Corp., Kansas City

Alan S. Gordon*

Consultant, Merrill Lynch, Royal Securities Limited, Montreal

Ronald M. Gross*

President, Canadian Cellulose Company, Limited, Vancouver

Max Litvine

Managing Director, Compagnie Bruxelles Lambert, Brussels

Charles C. Locke, Q.C. #

Partner, Ladner Downs, Vancouver

Harry L. Purdy, Ph.D.*

Management Consultant, Vancouver

John H. Spicer

Vice-President, Mountain Region, Canadian National Railways, Edmonton

Ira D. Wallach*

President, Gottesman & Company, Inc. and Central National Corporation, New York

Donald N. Watson* #

President, Pacific Western Airlines Limited, Vancouver

** Member of Executive Committee—*

Chairman, Harry L. Purdy, Ph.D.

#Member of Audit Committee—

Chairman, Charles C. Locke, Q.C.

OFFICERS

Ronald M. Gross

President

Frank X. Guimond

Senior Vice President, Operations

Herschell H. Huff

Vice President, International Pulp Marketing

Gordon R. McLachlin

Vice President, Lumber Operations

Roy W. Murphy

Vice President, Personnel & Administration

Clive B. Symons

Vice President, Treasurer

William H. Vaughan

Vice President, North American Pulp Marketing

Alan K. Wilkinson

Secretary

OPERATIONS

John N. Babcock

Manager, Kitwanga Lumber Operations

Orjan Burchardt*

Vice President, Interior Pulp Operations

Robert E. Davis

Manager, Pohle Lumber Operations

Edward C. J. Higgs

Manager, Interior Lumber Operations

G. Edward Lloyd

Manager, Interior Woods Operations

Mel N. MacLeod*

Vice President, Northern Pulp Operations

W. Frederick Waldie

Manager, Northern Woods Operations

**also an officer*

CORPORATE MANAGEMENT

A. V. (Bill) Backman

Director of Planning and Forestry

F. D. Giles

Operations Controller

Harry R. Papushka

Director, Supply and Distribution

R. W. Sweeney

Director of Engineering

PLANTS AND OFFICES

Corporate Office

1200 - 1111 West Hastings Street,
Vancouver, B.C. V6E 2K2

Sales Offices

Montreal, P.Q.

Brussels, Belgium

Kraft Pulp Mills

Prince Rupert, B.C.

Castlegar, B.C.

Sulphite Pulp Mill

Prince Rupert, B.C.

Lumber Mills

Terrace, B.C.

Kitwanga, B.C.

Castlegar, B.C.

Woods Operations

Terrace, B.C.

Nakusp, B.C.

CORPORATE DATA

Transfer Agent and Registrar

Montreal Trust Company,
466 Howe Street, Vancouver, B.C. V6C 2A8
and branches in Toronto and Montreal

Stock Listings

Vancouver, Toronto and
Montreal Stock Exchanges

Auditors

Coopers & Lybrand,
28th Floor, 1055 West Georgia Street,
Vancouver, B.C. V6E 3R2

Principal Subsidiary and Affiliated Companies

Babine Forest Products Limited (26% owned)

Canadian Cellulose International, S.A.

Celgar Properties Limited

Celtran Equipment Limited

Colcel Properties Limited

Haseldonckx, S.A. (50% owned)

Les Papeteries de Gastuche, S.A. (43% owned)

Pohle Lumber Co. Ltd.

Twinriver Timber Limited

ANNUAL GENERAL MEETING

April 24, 1974, 10:00 a.m.

Social Suite West,

Hotel Vancouver,

Vancouver, B.C.



Canadian Cellulose Company, Limited

